

**Glenwood Municipal Utilities
Independent Auditors' Report
Basic Financial Statements and
Supplementary Information
Schedule of Findings**

June 30, 2010 and 2009

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**Glenwood Municipal Utilities
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Dean	Trustee/Chairperson	January 2011
Darrell Mayberry	Trustee	January 2012
Doug Meggison	Trustee	January 2013
Lonnie Mayberry	Trustee	January 2016
Dick Davis	Trustee	January 2012
Rosemarie McDuffie	Secretary	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

December 14, 2010

Independent Auditors' Report

To the Board of Trustees
Glenwood Municipal Utilities
Glenwood, IA 51534

We have audited the accompanying financial statements of the business type activities and each major fund of the Glenwood Municipal Utilities, a component unit of the Utilities of Glenwood, as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Glenwood Municipal Utilities management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of the Glenwood Municipal Utilities at June 30, 2010 and 2009, and the changes in its financial position and the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued our report dated December 14, 2010, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

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December 14, 2010
Glenwood Municipal Utilities
Independent Auditors' Report

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6, and pages 20 through 21, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Information in Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Information in Schedules 2, 3, and 4, relating to gallons pumped, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schroy and Associates, P.C.

Glenwood Municipal Utilities

Management's Discussion and Analysis

Glenwood Municipal Utilities provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

Financial Highlights

- The Utilities' total water and sewer operating revenues decreased \$37,648 from fiscal 2009 to fiscal 2010.
- The Utilities' total water and sewer operating expenses increased \$66,875, from fiscal 2009 to fiscal 2010.
- The Utilities' net assets increased \$2,250,846, from fiscal year end 2009 to fiscal year end 2010.
- The Utilities' total water and sewer operating income decreased \$104,523, from fiscal 2009 to fiscal 2010.

The decrease in operating revenues from fiscal year 2009 to 2010 was primarily a result of decreased usage in water from the prior year. The increase in operating expenses was primarily due to an increase in repairs and maintenance and contracted services.

Using This Annual Report

The Glenwood Municipal Utilities presents its financial statements using accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Glenwood Municipal Utilities basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Statement of Net Assets presents information on the Utilities' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utilities operating revenues and expenses, non-operating revenues and expenses and whether the Utilities' financial position has improved or deteriorated as a result of the years activities.

The Statement of Cash Flows presents the change in the Utilities' cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Utilities

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utilities' financial position. The Utilities' net assets for fiscal 2010 totaled approximately \$9,879,120. This compares to \$7,628,275 for fiscal 2009. A summary of the Utilities' net assets is presented below.

	Net Assets	
	June 30, 2010	2009
Invested in capital assets, net of related debt	\$ 7,089,959	\$ 4,222,021
Restricted for: Customer Deposits	136,179	129,691
Unrestricted	285,531	909,112
Contributed Capital	<u>2,367,451</u>	<u>2,367,451</u>
Net Assets	\$ <u>9,879,120</u>	\$ <u>7,628,275</u>

The largest portion of the Utilities' net assets is invested in capital assets – (72 %, e.g., land, buildings, equipment and machinery), less the related debt portion of net asset are resources allocated to capital assets. The next largest portion is unrestricted net assets - (27 %, e.g., with contributed capital) that can be used to meet the Utilities' obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for water and sewer sales and charges for services for customers attached to the appropriate systems including Glenwood, Pacific Junction and outlying areas. Operating expenses are expenses paid to operate the appropriate water and sewer systems and facilities. Non-operating revenues and expenses are for interest income and expense, rent, fees and penalties and parts sales. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ending June 30, 2010 and 2009 is presented below:

	Changes in Net Assets	
	Year ended June 30, 2010	2009
Operating Revenues		
Water sales	\$ 731,776	\$ 757,270
Sewer sales	860,286	863,509
Charges for services	74,979	83,910
Total operating revenues	1,667,041	1,704,689
Operating Expenses		
Salaries	416,247	402,947
Employee benefits	160,685	148,131
Contracted services	67,384	7,060
Utilities	121,904	118,306
Telephone	21,170	18,598
Chemicals	63,661	78,647
Supplies	30,035	43,244
Computer expenses	32	11,048
Office supplies	5,571	22,990
Postage and freight	14,707	7,130
Insurance	45,672	38,953
Repairs and maintenance	193,095	174,720
Legal and accounting	5,401	8,039
Engineering	38,455	20,231
Miscellaneous	6,671	11,305
Depreciation	639,865	652,331
Total operating expenses	1,830,555	1,763,680
Operating loss	\$ (163,514)	\$ (58,991)
Non-operating Revenues (Expenses)		
Interest income	19,027	41,881
Rent	18,890	17,595
Dedicated materials	2,336,220	49,322
Miscellaneous	116	11,117
Collection fees	9,051	9,081
Surcharges	2,582	2,040
Penalty charges	29,718	27,820
Gain on sale of assets	(8,723)	-
Merchandise and part sales	26,992	25,667
Cost of merchandise and parts	(19,514)	(13,101)
Net non-operating revenues (expenses)	2,414,359	171,422
Changes in net assets	\$ 2,250,845	\$ 112,431
Net assets, beginning of year	7,628,275	7,515,844
Net assets, end of year	\$ 9,879,120	\$ 7,628,275

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets of approximately 29.5%. This is mainly due to the large amount of dedicated materials received in 2010.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes water and sewer sales and assessments reduced by payments for operations and to suppliers. Cash provided by other investment income includes penalties, charges and rent payments.

Individual Major Fund Analysis

The net assets of the water fund increased \$770,357 to \$5,219,984 primarily due to \$758,220 received in dedicated materials.

The net assets of the sewer fund increased \$1,480,489 to \$4,659,138 also primarily due to dedicated materials received valued at \$1,578,000.

Capital Assets

At June 30, 2010, the Utilities had approximately \$7,090,000 invested in capital assets, net of accumulated depreciation of approximately \$19,155,000. Depreciation charges totaled approximately \$639,900 for fiscal year 2010. More detailed information about the Utilities' capital assets is presented in Schedule 1 of the Audit Report.

Long-Term Debt

The Utilities had no long term debt at June 30, 2009 or 2010.

Economic Factors

Glenwood Municipal Utilities continued to improve its financial position during the current fiscal year. However, the current condition of the economy continues to be a concern for Utilities officials. Some of the realities that may potentially become challenges for the Utilities to meet are:

- Facilities of the Utilities require constant maintenance and upkeep with infrastructure.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain operational and efficient technology at a reasonable cost.
- Continuing the productive and efficient operations for the Utilities as well as the sound business decisions needed with an outlook to future demands and community betterment.

The Utilities anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Utilities ability to react to unknown issues.

Contacting the Utilities Financial Management

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or financial information, contact Glenwood Municipal Utilities, 107 ½ South Locust Street, Glenwood, Iowa.

Basic Financial Statements

Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2010
(With Comparative Totals for 2009)

	ASSETS		Total	Total
	Water	Sewer	2010	2009
Current Assets				
Unrestricted				
Cash	\$ 1,012,812	\$ 281,570	\$ 1,294,382	\$ 1,047,900
Investments	541,904	416,723	958,627	1,522,727
Accounts receivable	76,010	69,025	145,035	153,029
Accounts receivable - other	15,009	-	15,009	19,509
Prepaid insurance	-	-	-	49,197
Unbilled usage	32,519	37,572	70,091	66,859
Inventory	30,642	26,535	57,177	43,717
Total unrestricted current assets	1,708,896	831,425	2,540,321	2,902,938
Restricted				
Customer deposits	136,179	-	136,179	129,691
Total current assets	1,845,075	831,425	2,676,500	3,032,629
Property and Equipment				
Land	71,621	-	71,621	71,621
Buildings	2,008,076	6,168,114	8,176,190	7,637,395
Machinery	6,579,773	10,540,711	17,120,484	14,310,777
Equipment	355,648	521,188	876,836	776,826
	9,015,118	17,230,013	26,245,131	22,796,619
Less accumulated depreciation	5,477,584	13,677,588	19,155,172	18,574,598
Total property and equipment	3,537,534	3,552,425	7,089,959	4,222,021
Other Assets				
Construction in progress	59,880	415,889	475,769	654,973
	59,880	415,889	475,769	654,973
Total assets	\$ 5,442,489	\$ 4,799,739	\$ 10,242,228	\$ 7,909,623

**Exhibit A
Continued**

**Glenwood Municipal Utilities
Statement of Net Assets
June 30, 2010
(With Comparative Totals for 2009)**

	LIABILITIES AND NET ASSETS			
	Water	Sewer	Total 2010	Total 2009
Current Liabilities				
Payable from unrestricted current assets:				
Accounts payable	\$ 37,194	\$ 136,581	\$ 173,775	\$ 100,356
Recycling fees payable - City of Glenwood	5,672	-	5,672	5,689
Sewer fees payable - City of Pacific	13,763	-	13,763	13,910
Sales tax payable	4,177	824	5,001	6,456
Accrued wages and vacation payable	<u>25,522</u>	<u>3,196</u>	<u>28,718</u>	<u>25,246</u>
Total payables from unrestricted current	86,328	140,601	226,929	151,657
Payable from restricted current assets:				
Customer deposits	<u>136,179</u>	<u>-</u>	<u>136,179</u>	<u>129,691</u>
Total liabilities	222,507	140,601	363,108	281,348
Net Assets				
Invested in capital assets, net of related debt	3,537,534	3,552,425	7,089,959	4,222,021
Restricted for:				
Customer deposits	136,179	-	136,179	129,691
Unrestricted	1,546,269	(1,260,738)	285,531	909,112
Contributed Capital	<u>-</u>	<u>2,367,451</u>	<u>2,367,451</u>	<u>2,367,451</u>
Total net assets	<u>5,219,982</u>	<u>4,659,138</u>	<u>9,879,120</u>	<u>7,628,275</u>
Total liabilities and net assets	<u>\$ 5,442,489</u>	<u>\$ 4,799,739</u>	<u>\$ 10,242,228</u>	<u>\$ 7,909,623</u>

See accompanying notes to financial statements

Exhibit B

Glenwood Municipal Utilities
Statement of Revenues, Expenses, and
Changes in Net Assets
For the year ended June 30, 2010
(With Comparative Totals for 2009)

	Water	Sewer	Total 2010	Total 2009
Operating Revenues				
Water sales	\$ 731,776	\$ -	\$ 731,776	\$ 757,270
Sewer sales	-	860,286	860,286	863,509
Charges for services	33,479	41,500	74,979	83,910
Total operating revenues	765,255	901,786	1,667,041	1,704,689
Operating Expenses				
Salaries	198,955	217,292	416,247	402,947
Employee benefits	78,741	81,944	160,685	148,131
Contracted services	13,870	53,514	67,384	7,060
Utilities	59,646	62,258	121,904	118,306
Telephone	13,789	7,381	21,170	18,598
Chemicals	59,687	3,974	63,661	78,647
Supplies	17,190	12,845	30,035	43,244
Computer expenses	16	16	32	11,048
Office supplies	2,818	2,753	5,571	15,730
Postage and freight	7,342	7,365	14,707	14,390
Insurance	21,988	23,684	45,672	38,953
Repairs and maintenance	96,032	97,063	193,095	174,720
Legal and accounting	2,701	2,700	5,401	8,039
Engineering	7,233	31,222	38,455	20,231
Miscellaneous	4,643	2,028	6,671	11,305
Depreciation	225,858	414,007	639,865	652,331
Total operating expenses	810,509	1,020,046	1,830,555	1,763,680
Operating income (loss)	(45,254)	(118,260)	(163,514)	(58,991)
Non-operating revenues (expenses)				
Interest income	12,137	6,890	19,027	41,881
Rent	17,210	1,680	18,890	17,595
Dedicated materials	758,220	1,578,000	2,336,220	49,322
Miscellaneous	116	-	116	11,117
Collection fees	9,051	-	9,051	9,081
Surcharges	2,582	-	2,582	2,040
Penalty charges	15,109	14,609	29,718	27,820
Loss on disposal of assets	-	(8,723)	(8,723)	-
Merchandise and part sales	13,459	13,533	26,992	25,667
Cost of merchandise and parts	(12,274)	(7,240)	(19,514)	(13,101)
Net non-operating revenues (expenses)	815,610	1,598,749	2,414,359	171,422
Change in net assets	770,356	1,480,489	2,250,845	112,431
Net assets, beginning of year	4,449,626	3,178,649	7,628,275	7,515,844
Net assets, end of year	\$ 5,219,982	\$ 4,659,138	\$ 9,879,120	\$ 7,628,275

See accompanying notes to financial statements

Exhibit C

Glenwood Municipal Utilities
Statement of Cash Flows
For the year ended June 30, 2010
(With Comparative Totals for 2009)

	Water	Sewer	Total 2010	Total 2009
Cash Flows From Operating Activities:				
Cash received from customers	\$ 781,525	\$ 909,988	\$ 1,691,513	\$ 1,691,320
Cash payments for goods and services	(270,781)	(235,441)	(506,222)	(549,748)
Cash payments to employees	(273,983)	(299,477)	(573,460)	(509,831)
Net cash provided by operating activities	236,761	375,070	611,831	631,741
Cash Flows From Capital and Related Financial Activities:				
Acquisition and construction of capital assets	(371,077)	(630,024)	(1,001,101)	(558,004)
Net cash used for capital and related financing activities	(371,077)	(630,024)	(1,001,101)	(558,004)
Cash Flows From Investing Activities:				
Interest received on investments	12,137	6,890	19,027	41,881
Investment proceeds	580,186	-	580,186	-
Investments purchased and reinvested interest	(11,235)	(4,851)	(16,086)	(656,952)
Other nonoperating income received	45,254	13,859	59,113	80,219
Payments received on contract receivable	-	-	-	2,199
Contract receivable forgiven	-	-	-	5,341
Net cash used for investing activities	626,342	15,898	642,240	(527,312)
Net change in cash	492,026	(239,056)	252,970	(453,575)
Cash, Beginning of Year	656,965	520,626	1,177,591	1,631,166
Cash, End of Year	<u>\$ 1,148,991</u>	<u>\$ 281,570</u>	<u>\$ 1,430,561</u>	<u>\$ 1,177,591</u>
Cash Consists of the Following Amounts:				
Unrestricted:				
Cash	\$ 1,012,812	\$ 281,570	1,294,382	\$ 1,047,900
Restricted:				
Customer deposits	136,179	-	136,179	129,691
	<u>\$ 1,148,991</u>	<u>\$ 281,570</u>	<u>\$ 1,430,561</u>	<u>\$ 1,177,591</u>

Exhibit C
Continued

Glenwood Municipal Utilities
Statements of Cash Flows
For the year ended June 30, 2010
(With Comparative Totals for 2009)

	<u>Water</u>	<u>Sewer</u>	<u>Total 2010</u>	<u>Total 2009</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (45,254)	\$ (118,260)	\$ (163,514)	\$ (58,991)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	225,858	414,007	639,865	652,331
Loss on disposal of equipment	-	8,723	8,723	-
Net (increase) decrease in:				
Accounts receivable	10,981	1,512	12,493	(7,551)
Unbilled usage	(1,199)	(2,033)	(3,232)	1,707
Prepaid insurance	29,060	20,137	49,197	(49,197)
Inventories	3,173	(16,633)	(13,460)	(2,930)
Net increase (decrease) in:				
Accounts payable	4,390	68,864	73,254	76,241
Accrued wages and vacation payable	3,713	(241)	3,472	2,800
Sales tax payable	(449)	(1,006)	(1,455)	2,056
Customer deposits	6,488	-	6,488	15,275
Net cash provided by operating activities	<u>\$ 236,761</u>	<u>\$ 375,070</u>	<u>\$ 611,831</u>	<u>\$ 631,741</u>

See accompanying notes to financial statements

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 1 Summary of Significant Accounting Policies

The Glenwood Municipal Utilities is a municipal utility. The utility produces and distributes water and provides sewer services to the residents of Glenwood, Pacific Junction and nearby rural areas.

Glenwood Municipal Utilities is a component unit of the City of Glenwood. The Utility is legally separate from the City but is financially accountable to the City. The Utility is governed by a five-member board appointed by the Mayor subject to approval by the City Council, and the Utilities' budget is approved by the City Council.

The Utilities' financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Glenwood Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility Board are such that exclusion would cause the Utility Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utility Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility Board. Glenwood Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Glenwood Municipal Utilities are organized as Enterprise Funds. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fund Financial Statements – Major individual enterprise funds are reported as separate columns in the fund financial statements. The Utilities' major enterprise funds reported are sewer and water.

Measurement Focus and Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009**

NOTE 1 Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

Measurement Focus and Basis of Accounting - Continued

The Utility Board applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility Board's principal ongoing operations. Water and sewer revenues are based on billing rates that are applied to customers' accounts based on their consumption of water. The Glenwood Municipal Utilities records estimated unbilled revenues at the end of accounting periods. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents – The Glenwood Municipal Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, have a maturity date no longer than three months.

Investments – Investments are stated at cost, which approximates market value.

Customer Accounts and Unbilled Usage - Accounts receivable are recorded at the time the service is billed and are presented at their net realizable value. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventory – Materials and supplies are valued at the lower of cost or market using the first-in/first-out method and inventories are expensed as they are consumed.

Dedicated Materials – When the Utility has construction projects in the service area typically the tenant or contractor is responsible for the cost of the development. However, when the development is finished the maintenance and upkeep of those service lines and equipment are the responsibility of the Utility. Therefore, ownership of those lines is typically transferred to the Utility. The value of those lines and equipment are determined by the Utilities engineer based on costs at the time of dedication.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 1 Summary of Significant Accounting Policies – Continued

C. Assets, Liabilities and Net Investments - Continued

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Capital assets are defined by the Utilities Board as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Water towers and system	2,000
Sewer system	2,000
Equipment	2,000
Vehicles	2,000

Capital assets of the Utility Board are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Water towers	40 years
Buildings	30 years
Water mains and hydrants	30 Years
Sewer system	30 Years
Equipment	5-10 years
Vehicles	7 years

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amended budgeted amounts.

NOTE 2 Cash and Investments

The Utility Board's deposits in banks at June 30, 2010 and 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utility Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utility Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009**

NOTE 2 Cash and Investments - Continued

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

Interest rate risk

The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

NOTE 3 Restricted Assets

Restricted assets represent monies set aside for customer deposits.

Water:	Balance 06-30-09	Net Change	Balance 06-30-10
Customer Deposits	\$ 129,691	\$ 6,488	\$ 136,179

NOTE 4 Pension and Retirement Benefits

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the Department is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2010 and 2009, were approximately \$27,500 and \$25,500, respectively, equal to the required contributions for each year.

NOTE 5 Compensated Absences

Glenwood Municipal Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use, or for payment upon termination, retirement or death. The accumulated liability for accrued vacation totaled approximately \$16,400 and \$13,000 as of June 30, 2010 and 2009, respectively. This liability has been computed based on rates of pay as of the end of the fiscal year.

Sick leave may be accumulated up to 100 days. The Glenwood Municipal Utilities has a policy that sick leave is lost upon termination, retirement or death. Therefore, these accumulations are not recognized as expenditures until used or paid.

Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 6 Recycling and Sewer Fees Payable

The Glenwood Municipal Utilities acts as a collecting agent for the City of Glenwood for recycling fees. Customer bills include allocations for water, recycling and sewer. Collected fees are deposited and then monthly totals are remitted to the City.

During the current period the Board remitted the following amounts to the City of Glenwood:

Recycling fees	\$ 33,053
Penalty on Recycling fees	667
Total	<u>\$ 33,720</u>

As of June 30, the following amounts are payable to the City of Glenwood:

	<u>2010</u>	<u>2009</u>
Recycling fees and penalties	\$ <u>5,672</u>	\$ <u>5,689</u>

NOTE 7 Purchase of Water Distribution System

On July 1, 1993, the Municipal Utility entered into an agreement with an adjoining municipality for a non-exclusive franchise to construct and operate a distribution system within the municipality. The Glenwood Municipal Utilities assumed an obligation of the municipality with Farmer's Home Administration. This obligation was paid in full on August 18, 1993 with payment of principal of \$96,000 and interest of \$3,025. The Board is imposing a surcharge on the customers within the municipality to reimburse the Board for payment of this obligation.

The balance was paid off during fiscal year 2009.

NOTE 8 Risk Management

Glenwood Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Municipal Utility assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 Supplemental Cash Flow Information

The Utility received dedicated materials in the fiscal years ended June 30, 2010 and 2009 of \$2,336,220 and \$49,322 respectively. The most significant materials were water and sewer lines placed in service in the Lake Ohana, Woodfield Subdivision, Pacific Junction, and Glenwood High School. These amounts are not reflected in the statement of cash flows.

NOTE 10 Reclassifications

Some prior year income and expense items have been reclassified in the prior year to conform with current year classifications.

**Glenwood Municipal Utilities
Notes to Financial Statements
June 30, 2010 and 2009**

NOTE 11 Construction in Progress

The water plant and sewer plant had several projects started for the years ended June 30, 2010 and 2009 with costs totaling \$475,769 and \$654,973, respectively, which are reported as construction in progress.

	Estimated Contract Amount	Incurred to Date	Remaining Commitment	Retainage Payable
PJ Sewer Lift Station				
Engineering	\$ 77,653	74,131	3,522	-
Construction	426,208	132,926	293,282	9,073
North Walnut Street Sewer Main				
Engineering	\$ 58,674	58,674	-	-
Construction	260,943	148,406	112,537	6,709
Harold's Drive Water Main				
Engineering	\$ 32,860	26,524	6,336	-
Construction	172,560	-	172,560	-
			\$ 588,237	15,782

NOTE 12 Other Postemployment Benefits (OPEB)

Plan description – The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 10 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding policy – The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$554 for single coverage and \$1,386 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, there were no plan members eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation – The Utilities annual OPEB cost is a calculation based on the annual required contribution (ARC) of the Utility, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The increase in the net OPEB Obligation is based on the annual OPEB cost each year less contributions made. These financial statements do not reflect an OPEB cost or liability because management feels the amounts are not significant.

Required Supplementary Information

Glenwood Municipal Utilities
Budgetary Comparison Schedule of
Revenues and Expenditures – Actual to Budget
Required Supplementary Information
Year Ended June 30, 2010

	Actual 2010	Original Budget	Final Budget	Final Budget to Actual Variance
Revenues:				
Water sales	\$ 731,776	\$ 781,500	\$ 750,250	\$ (18,474)
Sewer sales	860,286	874,650	879,400	(19,114)
Charges for service	74,979	68,025	80,950	(5,971)
Interest	19,027	47,600	21,000	(1,973)
Rent	18,890	16,260	18,730	160
Dedicated materials	2,336,220	-	-	2,336,220
Merchandise and parts sales	26,992	21,400	26,900	92
Other	32,744	44,250	32,350	394
Total revenues	4,100,914	1,853,685	1,809,580	2,291,334
Expenditures:				
Production Expense:				
Fixed costs	858,420	975,325	987,399	128,979
Variable costs	7,726	21,095	16,500	8,774
Supplies	17,148	18,900	16,500	(648)
Chemicals and freight	63,661	83,875	72,600	8,939
Maintenance and repairs	86,731	83,300	68,800	(17,931)
Total production expense	1,033,686	1,182,495	1,161,799	128,113
Distribution Expense:				
Fixed costs	437,017	443,999	465,652	28,635
Variable costs	68,233	30,800	34,050	(34,183)
Supplies	5,741	8,825	7,900	2,159
Maintenance and repairs	69,648	78,100	111,800	42,152
Total distribution expense	580,639	561,724	619,402	38,763
Administrative:				
Fixed costs	134,333	135,070	141,658	7,325
Variable costs	76,123	61,150	57,250	(18,873)
Supplies	4,094	7,500	6,000	1,906
Maintenance and repairs	1,680	-	-	(1,680)
Total administrative	216,230	203,720	204,908	(11,322)
Total expenditures	1,830,555	1,947,939	1,986,109	155,554
Cost of merchandise sold	19,514	(22,500)	(17,900)	(37,414)
Total budgeted disbursements	1,850,069	1,925,439	1,968,209	118,140
Excess (deficiency) of revenues over (under) budgeted disbursements	\$ 2,250,845	\$ (71,754)	\$ (158,629)	\$ 2,409,474

See accompanying independent auditors' report

Glenwood Municipal Utilities
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

In accordance with the Code of Iowa, the Utility Board annually adopts a budget on the accrual basis following required public notice and hearing. The budget is subject to approval by the City of Glenwood. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year, one budget amendment decreased budgeted revenues \$44,105 and increased budgeted disbursements \$42,770.

**Glenwood Municipal Utilities
Other Supplementary Information**

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Water
June 30, 2010

	COST		
	Balance 6/30/2009	Additions	Balance 6/30/2010
Production Plant			
Land	\$ 45,648	\$ -	\$ 45,648
Buildings	505,202	58,467	563,669
Machinery	1,083,128	93,313	1,176,441
Equipment	<u>135,540</u>	<u>-</u>	<u>135,540</u>
Total production plant	1,769,518	151,780	1,921,298
Distribution Plant			
Land	25,973	-	25,973
Buildings	1,324,055	120,351	1,444,406
Machinery	4,424,516	986,041	5,403,332
Equipment	<u>67,108</u>	<u>5,100</u>	<u>72,208</u>
Total distribution plant	5,841,652	1,111,492	6,945,919
Administration			
Equipment	<u>105,962</u>	<u>41,939</u>	<u>147,901</u>
Total	<u>\$ 7,717,132</u>	<u>\$ 1,305,211</u>	<u>\$ 9,015,118</u>

	ACCUMULATED DEPRECIATION		
	Balance 6/30/2009	Depreciation	Balance 6/30/2010
Production Plant			
Land	\$ -	\$ -	\$ -
Buildings	459,595	17,648	477,243
Machinery	1,054,962	23,234	1,078,196
Equipment	<u>88,124</u>	<u>15,693</u>	<u>103,817</u>
Total production plant	1,602,681	56,575	1,659,256
Distribution Plant			
Land	-	-	-
Buildings	538,205	48,643	586,848
Machinery	2,969,126	109,989	3,071,890
Equipment	<u>45,761</u>	<u>9,156</u>	<u>54,917</u>
Total distribution plant	3,553,092	167,788	3,713,655
Administration			
Equipment	<u>103,179</u>	<u>1,494</u>	<u>104,673</u>
Total	<u>\$ 5,258,952</u>	<u>\$ 225,857</u>	<u>\$ 5,477,584</u>

Schedule 1 - Continued

Glenwood Municipal Utilities
Schedule of Property, Plant and Equipment - Sewer
June 30, 2010

	COST		
	Balance 6/30/2009	Additions	Balance 6/30/2010
Production Plant			
Buildings	\$ 5,303,138	\$ 107,809	\$ 5,410,947
Machinery	4,503,529	193,799	4,677,328
Equipment	284,928	4,159	289,087
Total production plant	10,091,595	305,767	10,377,362
Distribution Plant			
Buildings	505,000	252,167	757,167
Machinery	4,299,603	1,604,567	5,863,382
Equipment	177,738	6,875	184,613
Total distribution plant	4,982,341	1,863,609	6,805,162
Administration			
Equipment	5,550	41,939	47,489
Total	<u>\$ 15,079,486</u>	<u>\$ 2,211,315</u>	<u>\$ 17,230,013</u>

	ACCUMULATED DEPRECIATION		
	Balance 6/30/2009	Additions	Balance 6/30/2010
Production Plant			
Buildings	\$ 4,751,736	\$ 160,647	\$ 4,912,383
Machinery	3,604,748	166,885	3,751,633
Equipment	274,333	7,408	281,741
Total production plant	8,630,817	334,940	8,945,757
Distribution Plant			
Buildings	505,000	5,030	510,030
Machinery	4,044,515	56,711	4,069,160
Equipment	132,547	15,833	148,380
Total distribution plant	4,682,062	77,574	4,727,570
Administration			
Equipment	2,767	1,494	4,261
Total	<u>\$ 13,315,646</u>	<u>\$ 414,008</u>	<u>\$ 13,677,588</u>

See accompanying independent auditors' report

Schedule 2

Glenwood Municipal Utilities
Schedule of Water Expenses Per 1,000 Gallons of Water Finished
For the Years Ended June 30, 2010 and 2009

	2010	Per 1,000 Gallons	2009	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 198,955	0.84	\$ 201,171	0.78
Employee benefits	78,741	0.33	88,983	0.34
Contracted services	13,870	0.06	1,896	0.01
Utilities	59,646	0.25	62,265	0.24
Telephone	13,789	0.06	13,724	0.05
Chemicals	59,687	0.25	73,321	0.28
Supplies	17,190	0.07	21,172	0.08
Computer expenses	16	0.00	5,524	0.02
Office supplies	2,818	0.01	8,201	0.03
Postage and freight	7,342	0.03	7,130	0.03
Insurance	21,988	0.09	20,499	0.08
Repairs and maintenance	96,032	0.41	60,824	0.24
Legal and accounting	2,701	0.01	3,585	0.01
Engineering	7,233	0.03	8,364	0.03
Miscellaneous	4,643	0.02	4,916	0.02
Depreciation	225,858	0.96	229,630	0.89
Total operating expenses	<u>\$ 810,509</u>	<u>3.44</u>	<u>\$ 811,205</u>	<u>3.14</u>
Total Gallons Pumped	252,987,000	100.00%	274,782,000	100.00%
Total Gallons Finished	235,577,500	93.12%	258,073,206	93.92%
Total Gallons Finished	235,577,500	93.12%	258,073,206	93.92%
Total Gallons Billed and City Use	<u>220,553,776</u>	<u>87.18%</u>	<u>238,762,724</u>	<u>86.89%</u>
Gallons Unaccounted For	15,023,724	5.94%	19,310,482	7.03%

See accompanying independent auditors' report

Schedule 3

Glenwood Municipal Utilities
Schedule of Sewer Expenses Per 1,000 Gallons of Wastewater Billed
For the Years Ended June 30, 2010 and 2009

	2010	Per 1,000 Gallons	2009	Per 1,000 Gallons
Operating Expenses				
Salaries	\$ 217,292	1.68	\$ 201,776	1.47
Employee benefits	81,944	0.63	59,148	0.43
Contracted services	53,514	0.41	5,164	0.04
Utilities	62,258	0.48	56,041	0.41
Telephone	7,381	0.06	4,874	0.04
Chemicals	3,974	0.03	5,326	0.04
Supplies	12,845	0.10	22,072	0.16
Computer expenses	16	0.00	5,524	0.04
Office supplies	2,753	0.02	7,529	0.05
Postage and freight	7,365	0.06	7,260	0.05
Insurance	23,684	0.18	18,454	0.13
Repairs and maintenance	97,063	0.75	113,896	0.83
Legal and accounting	2,700	0.02	4,454	0.03
Engineering	31,222	0.24	11,867	0.09
Miscellaneous	2,028	0.02	6,389	0.05
Depreciation	414,007	3.21	422,701	3.07
Total operating expenses	<u>\$ 1,020,046</u>	<u>7.90</u>	<u>\$ 952,475</u>	<u>6.92</u>
Total Gallons				
Wastewater Billed	<u>129,111,793</u>		<u>137,623,412</u>	

See accompanying independent auditors' report

Glenwood Municipal Utilities
Schedule of Water and Sewer Sales and Expenses Per 1,000 Gallons
For the Periods Ended June 30, 2010 and 2009

Schedule 4

WATER				
	<u>6/30/2010</u>		<u>6/30/2009</u>	
	<u>Total</u>	<u>Cost Per 1,000 Gallons Sold</u>	<u>Total</u>	<u>Cost Per 1,000 Gallons Sold</u>
Operating revenue	\$ 765,255	\$ 3.47	\$ 791,420	\$ 3.31
Operating expenses	<u>810,509</u>	<u>3.67</u>	<u>811,205</u>	<u>3.40</u>
Operating income	<u>\$ (45,254)</u>	<u>\$ (0.21)</u>	<u>\$ (19,785)</u>	<u>\$ (0.08)</u>
 Total Gallons Billed and City Use	 220,553,776		 238,762,724	

SEWER				
	<u>6/30/2010</u>		<u>6/30/2009</u>	
	<u>Total</u>	<u>Cost Per 1,000 Gallons</u>	<u>Total</u>	<u>Cost Per 1,000 Gallons</u>
Operating revenue	\$ 901,786	\$ 6.98	\$ 913,269	\$ 6.64
Operating expenses	<u>1,020,046</u>	<u>7.90</u>	<u>952,475</u>	<u>6.92</u>
Operating income	<u>\$ (118,260)</u>	<u>\$ (0.92)</u>	<u>\$ (39,206)</u>	<u>\$ (0.28)</u>
 Total Gallons Wastewater Billed	 <u>129,111,793</u>		 <u>137,623,412</u>	

See accompanying independent auditors' report

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Prepared in
Accordance with *Government Auditing Standards***

December 14, 2010

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Members of the Board:

We have audited the accompanying financial statements of the business type activities and each major fund of Glenwood Municipal Utilities, as of and for the year ended June 30, 2010, which collectively comprise the Utilities' basic financial statements listed in the table of contents and have issued our report thereon dated December 14, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenwood Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenwood Municipal Utilities' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control we believe to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Glenwood Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Glenwood Municipal Utilities
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenwood Municipal Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Glenwood Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Utilities' responses, we did not audit Glenwood Municipal Utilities' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Glenwood Municipal Utilities and other parties to whom the Glenwood Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Glenwood Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroy and Associates, P.C.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2010**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

I-A-10 Financial Reporting

Comment – During the audit, we identified a software issue that caused the financial statements to be out of balance. Due to misclassifications and unreconciled accounts we also recorded several adjusting journal entries. Adjustments were subsequently made by the Utilities to properly report the amounts in the Utilities' financial statements.

Recommendation – The Utilities should implement procedures to insure all receipts and disbursements are properly classified and to reconcile accounts to detailed sub-ledgers.

Response – We will perform more formal monthly closing procedures to provide more accurate interim financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2010**

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 did not exceed the amended budgeted amounts.
- II-B-10 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No disbursements of Municipal Utilities' money for travel expenses of spouses of Municipal Utilities' officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lonnie Mayberry, Board Member through January, 2016, Employee of Land Surveying Services, Inc.	Upgrade Mapping System and Easement Documents	\$ 10,945

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with a Board Member appear to represent a conflict of interest since transactions with the individual exceeded \$1,500 during the fiscal year.

Recommendation - The Utilities should seek legal advice on this matter.

Response - We will do this.

Conclusion - Response accepted.

- II-E-10 Bond Coverage - Surety bond coverage of Municipal Utilities' officials and employees is in accordance with statutory provisions. However, the amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-10 Revenue Notes - The Municipal Utility is in compliance with the requirements of the Sewer Revenue Bond Resolution.
- II-H-10 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Municipal Utility's investment policy.

**Glenwood Municipal Utilities
Schedule of Findings
Year Ended June 30, 2010**

Part II: Other Findings Related to Statutory Reporting - Continued:

II-I-10 Statistical Information

<u>Description</u>	<u>Amount</u>
Water Customers served at June 30, 2010	2,535
Gallons of water pumped during the year ended June 30, 2010	252,987,000
Gallons of water sold during the year ended June 30, 2010	220,553,776